

PUBLIC DISCLOSURE

July 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Elberfeld State Bank
RSSD #16748

P. O. Box 38

Elberfeld, Indiana 47613-0038

Federal Reserve Bank of St. Louis

P.O. Box 442

St. Louis, Missouri 63166-0442

NOTE:This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of

***The Elberfeld State Bank**, prepared by the **Federal Reserve System**, the institution's supervisory agency, as of July 8, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Elberfeld State Bank meets the standards to receive a satisfactory rating. The loan-to-deposit ratio is considered reasonable, given the institution's size, financial condition, and assessment area credit needs. A majority of the bank's loans are within its assessment area, and the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. In addition, the distribution of loans reflects a reasonable penetration among individuals of different income levels.

The following table indicates the performance level of the bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Elberfeld State Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Elberfeld State Bank is independently owned and has only one banking location in Elberfeld, Indiana. As of March 31, 1996, it had total assets of \$32.6 million. The bank's primary credit products include loans for residential real estate, unsecured and secured consumer loans, and commercial loans. The Elberfeld State Bank is the only bank located in the town of Elberfeld; however, there are seven other competing banks located in the surrounding area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes five census tracts in Warrick County, six census tracts in Vanderburgh County, and three census tracts in Gibson County.

The individual census tracts with corresponding income characteristics are defined as follows:

<u>Warrick County</u> ¹	<u>Vanderburgh County</u> ¹	<u>Gibson County</u> ¹
302.00 - Middle	002.01 - Upper	502.00 - Middle
303.00 - Moderate	102.01 - Upper	503.00 - Middle
304.00 - Moderate	102.02 - Upper	504.00 - Middle
305.00 - Middle	102.03 - Upper	
306.00 - Middle	106.00 - Upper	
	107.00 - Upper	

Based on 1990 census data, the MSA median family income is \$33,523, and the statewide nonmetropolitan median family income is \$30,800. The median family income for the assessment area is \$37,107. Approximately 12.5 percent of the assessment area's families are low- income and 17.3 percent are moderate-income.

The city of Elberfeld, Indiana has a population of 650, and is located approximately 15 miles northeast of the city of Evansville. The assessment area population is 63,826. Based on information provided by an outside contact, the economy of the area was previously reliant upon the coal industry with significant strip mining operations; however, most of the strip mining has ceased. Area residents now work primarily in local businesses, or in industrial plants in Evansville and the surrounding area. An automobile manufacturing company is planning to build an auto assembly plant in a small town northwest of Elberfeld, which is expected to provide some area growth.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:

¹For those census tracts located within the Evansville Metropolitan Statistical Area (MSA), including Warrick and Vanderburgh counties, the census tract income characteristics are determined by comparing the income of the individual census tracts to the MSA median income. For the census tracts located outside the MSA in Gibson county, the statewide nonmetropolitan median family income is utilized.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area's credit needs. The loan-to-deposit ratio averaged 73.82 percent for the seven quarters (9/30/94 - 3/31/96) since the previous examination. During this same period, seven other competing financial institutions with assets ranging from \$13 million to \$1.7 billion had average loan-to-deposit ratios ranging from 49.50 to 81.77 percent.

Lending within the Assessment Area

A majority of loans originated are within the assessment area. An analysis of a sample of two of the bank's primary loan products reflects that 79 percent of the loans are located within the assessment area. The following chart identifies loan activity inside/outside the assessment area.

LENDING WITHIN ASSESSMENT AREA

Loan Type	Sample	Inside Assessment Area	Percent	Outside Assessment Area	Percent
Residential Real Estate	34	23	68%	11	32%
Unsecured Consumer	87	73	84%	14	16%
TOTAL	121	96	79%	25	21%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

As shown in the following table, the bank's lending to borrowers of different income levels is reasonable.² The table reflects the borrower income characteristics of the two primary loan products reviewed. In determining the

²Documentation of the borrower's income was lacking in most instances.

Therefore, the majority of the borrower income data for unsecured loans was estimated by bank management.

borrower income category, both the MSA and the statewide nonmetropolitan median family income were utilized, depending on the location of the residence of the borrower. In addition, the table lists the percent of the assessment area=s population within each income level based on 1990 census data.

The bank=s lending for unsecured loans compares very favorably to the assessment area=s demographics; the bank=s percentage of unsecured consumer lending to low- and moderate-income individuals substantially exceeds the percentage of those individuals within the assessment area. The percentage of residential mortgage loans to low- and moderate-income individuals in the assessment area is slightly low but is not unreasonable. In total, the overall percentages are considered reasonable.

DISTRIBUTION OF LENDING BY BORROWER INCOME

Population ³	Low-Income ⁴		Moderate-Income ⁵		Middle-Income ⁶		Upper-Income ⁷		Total Number
		12.5%		17.3%		24.2%		45.9%	
Residential Real Estate Loans	3	9%	2	6%	4	12%	25	73%	34
Unsecured Loans	16	18%	30	34%	31	36%	10	12%	87
Total	19	16%	32	26%	35	29%	35	29%	121

³Based on 1990 census data.

⁴Low-income is defined as income that is less than 50 percent of either the MSA median income or the statewide nonmetropolitan median family income.

⁵Moderate-income is defined as income that is at least 50 percent and less than

80 percent of either the MSA median income or the statewide nonmetropolitan median family income.

⁶Middle-income is defined as income that is at least 80 percent and less than 120 percent of either the MSA median income or the statewide nonmetropolitan median family income.

⁷Upper-income is defined as income that is 120 percent or more of either the MSA median income or the statewide nonmetropolitan median family income.

Geographic Distribution

The geographic distribution analysis below reflects a reasonable dispersion of loans throughout the assessment area. A majority of the bank's loans are located in census tract 302.00 where the bank's office is located, and in the adjoining tracts within close proximity to the bank. There is a lack of lending in one of the moderate-income census tracts; however, in discussion with management, it was revealed that a majority of census tract 303.00 has been strip mined and there is not significant population there.

Census Tract #	Residential Real Estate Loans	Unsecured Loans	Total
Moderate-Income			
303.00	0	0	0
304.00	0	2	2
Middle-Income			
302.00	13	34	47
305.00	0	3	3
306.00	0	1	1
503.00	1	18	19
502.00	4	6	10
504.00	0	0	0
Upper-Income			
002.01	0	2	2
102.01	0	1	1
102.02	0	1	1
102.03	0	0	0
106.00	2	0	2
107.00	3	5	8

Review of Complaints:

There were no complaints received since the prior examination.

Additional Information:

A fair lending review was performed to assess compliance with the Equal Credit Opportunity and the Fair Housing Acts. No violations of the substantive provisions of laws and regulations were identified.